



# Petroleum Market Report

May 30, 2000

Energy Information Administration  
Office of Oil & Gas

## MARKET SUMMARY

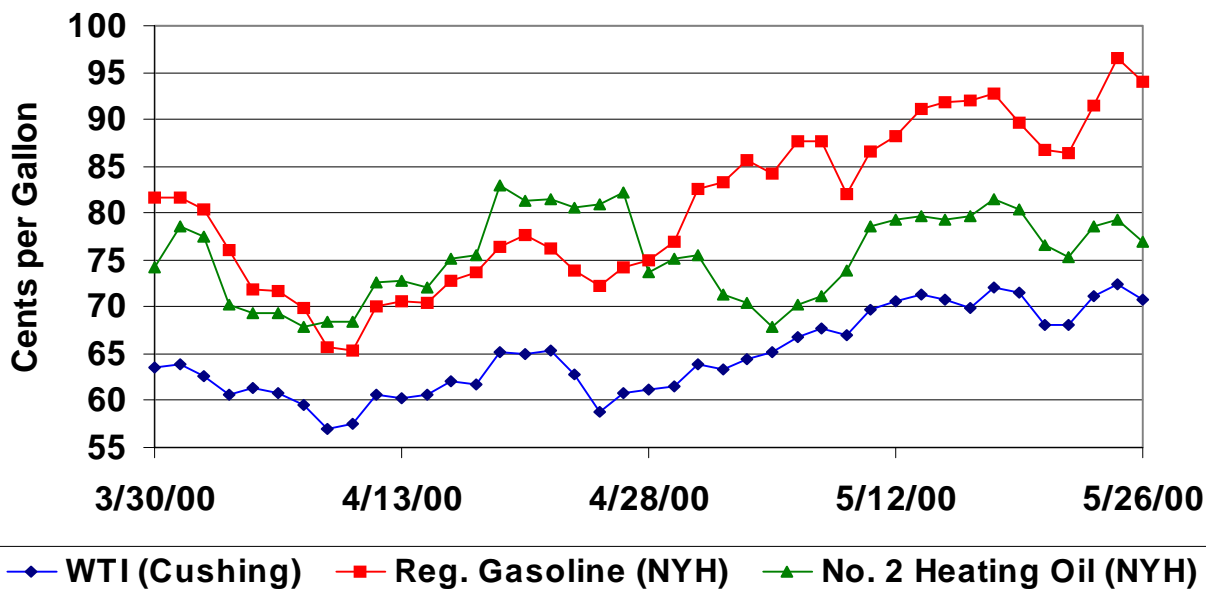
A sharp midweek increase in gasoline prices dominated U.S. petroleum spot and futures market movements last week, as supply concerns grew more visible ahead of the Memorial Day holiday weekend, the traditional start of the summer driving season, and the requirement for Phase 2 summer-grade RFG at the retail level on June 1. Global oil supply remained a major factor, amid the growing likelihood of an automatic OPEC production increase if the 20-day average "basket" price exceeds \$28 per barrel. Prices began the week in decline, led by a crude oil selloff ahead of NYMEX June contract expiration on Monday, May 22. After a relatively flat day Tuesday, gasoline led markets upward through Thursday, as tight supplies in the Midwest raised the possibility that further waivers of RFG requirements might be necessary. Prices declined in pre-holiday profit-taking on Friday, but remained near recent highs.

**Crude oil** - prices swung over nearly a \$2-per-barrel range during the week, under alternating upward and downward pressures. In addition to Monday's NYMEX contract expiration and the upward pull of strong product prices, crude markets focused intently on remarks from U.S. Energy Secretary Bill Richardson and his Saudi Arabian, Venezuelan, and Mexican counterparts, all regarding the need for increased crude oil output if prices persist at current levels.

**Gasoline** - continued to be the focus of U.S. market attention, particularly with regard to Phase 2 RFG and Midwest supply issues. Low stocks, tight product specifications, and the Unocal patent issue appear likely to dominate markets throughout the summer. Requests for RFG waivers in Milwaukee and Chicago roiled markets during the week, but EPA denied the requests on Friday, citing adequate supplies.

**Distillate** - prices directionally followed crude oil and gasoline, but closed with a net loss for the week. A small seasonal stockbuild for the week ending May 19 left inventories 33 million barrels below last year.

### U.S. Spot Crude Oil and Product Prices



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 5/26 - falling** - spot and futures prices fell back in profit-taking ahead of the extended Memorial Day holiday weekend, though NYMEX crude oil and gasoline prices held at \$30 per barrel and over \$1 per gallon, respectively. Before selling off late in the holiday-shortened session, NYMEX gasoline hit a new post-Gulf War high over \$1.02 per gallon.
- 5/25 - rising** - crude oil and product prices rose marketwide for a second straight day, led by gasoline, on growing supply concerns ahead of summer Phase 2 RFG startup at retail on June 1. WTI spot and futures moved back over \$30 per barrel, reaching their highest levels since mid-March.
- 5/24 - rising** - prices jumped sharply across the board, led by gasoline, as further waivers on the sale of Phase 2 RFG began to appear less likely. A weekly crude oil stockdraw reported by API, along with problems on a Nigerian crude oil pipeline, added support to markets.
- 5/23 - mixed** - crude oil prices ended nearly unchanged, while gasoline was mostly higher, and distillates lower, for the day. Comments by U.S. Energy Secretary Bill Richardson calling for more OPEC production and discussing possible RFG waivers were seen as significant influences, generally pushing prices lower before late shortcovering brought gains in crude and gasoline futures.
- 5/22 - falling** - all prices fell solidly for a second day, largely attributed to a selloff ahead of NYMEX June crude oil contract expiration at the close. Saudi Arabia and Venezuela reiterated OPEC's intent to raise production if the 20-day basket price rose over \$28 per barrel.
- 5/19 - falling** - gasoline led all prices lower, largely attributed to EPA granting a temporary waiver for RFG requirements in St. Louis. With concerns over Phase 2 RFG supply adequacy seen as driving much of the recent gasoline price firming, the possibility of further waivers prompted heavy selling.
- 5/18 - rising** - spot and futures prices increased across the board, led by a surge in WTI crude oil past \$30 per barrel for the first time since mid-March. Short-covering after two days of crude declines was seen as a factor, along with the approaching expiration of June crude futures on Monday.
- 5/17 - mixed** - market movements varied in the wake of the weekly API and EIA supply reports, with crude oil and June gasoline futures easing, while other product prices were mostly higher. A small build in crude oil stocks was seen as bearish, but gasoline remained generally strong.
- 5/16 - mixed** - crude oil and distillate prices ended lower, after moving higher in the morning, while gasoline retained a moderate gain. The crude oil decline was variously attributed to a correction from recent increases, expectations of a stockbuild in the weekly supply reports, and comments by U.S. Energy Secretary Bill Richardson about concerns over \$30-per-barrel prices.
- 5/15 - rising** - all prices moved upward, led by gasoline, with traders and analysts citing tight supplies and the approaching start of the summer driving season. Crude oil continued its slow-but-steady rise since late April, despite remarks by OPEC President Ali Rodriguez that he saw no inclination among OPEC members to raise production at their June meeting.